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TO RUEHC/SECSTATE WASHDC 2398
INFO RUEHBJ/AMEMBASSY BEIJING 8870
RUEHRL/AMEMBASSY BERLIN 1631
RUEHBY/AMEMBASSY CANBERRA 3131
RUEHOT/AMEMBASSY OTTAWA 9799
RUEHFR/AMEMBASSY PARIS 6502
RUEHUL/AMEMBASSY SEOUL 4893
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RUEHHK/AMCONSUL HONG KONG 6756
RUEHNAG/AMCONSUL NAGOYA 1272
RUEHNH/AMCONSUL NAHA 5922
RUEHOK/AMCONSUL OSAKA KOBE 7385
RUEHKSO/AMCONSUL SAPPORO 4120
RUEHGH/AMCONSUL SHANGHAI 0572
RUEAEP/AMCONSUL EPA WASHDC
RUEHBS/USEU BRUSSELS
RHEHAAA/NSC WASHDC
RUEHIN/AIT TAIPEI 7315
RUEATRS/TREASURY DEPT WASHDC
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC
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UNCLAS SECTION 01 OF 02 TOKYO 000890

SENSITIVE
SIPDIS

STATE FOR EAP/J
STATE ALSO FOR S/SECC, OES/EGC, AND EEB/IEP
PASS TO USTR FOR AUSTR CUTLER AND M. BEEMAN
PASS TO COMMERCE FOR K. ROTH AND D. BARZDUKAS
PASS TO EPA FOR SFULTON
PASS TO DOT FOR LLAWSON, CMILTTELHOLTZ

E.O. 12958: N/A
TAGS: [EIND](#) [ETRD](#) [SENV](#) [PREL](#) [WTRO](#) [ENRG](#) [JA](#)
SUBJECT: GOJ INCENTIVES FOR ECO-FRIENDLY VEHICLES

REF: TOKYO 850

SENSITIVE BUT UNCLASSIFIED. CONTAINS BUSINESS SENSITIVE
INFORMATION.

¶1. (U) Summary: The GOJ stimulus package Prime Minister Aso announced April 10 includes measures to encourage purchase of environmentally friendly automobiles. Although some imported European brands would benefit from the incentive, no U.S. autos now appear to qualify. American automakers reps here continue to deliberate their public response to the measures.
End Summary.

¶2. (U) Ministries are now working on various aspects of the general economic stimulus package that the PM announced April 10. The detailed package is expected to go to the Diet April 27. Among the measures now included in the package are two specifically targeted to autos.

--"Scrap" Incentive: This measure is a 250,000 yen (\$2500) incentive for consumers who purchase a new passenger vehicle that meets Japan's 2010 fuel-efficiency (FE) standards and who "scrap" a vehicle 13 years or older. For light "kei" vehicles (660cc vehicles), the incentive is 125,000 yen (\$1250). "Scrapping" a truck or bus to purchase an eligible vehicle entitles purchasers to receive a payment of 400,000 yen (\$4000) for small (3.5-ton) vehicles; 800,000 yen (\$8000) for mid-sized (eight-ton) vehicles, and 1,800,000 yen (\$18,000) for large (12-ton) vehicles.

--New Purchase Incentive: This initiative targets consumers who purchase vehicles with a "high level of environmental performance." Those purchasing vehicles with a "four star"

rating, which also performs 15 percent above 2010 FE standards, would receive 100,000 yen (\$1000) for passenger vehicles and 50,000 yen (\$500) for light "kei" vehicles. (Note: The "four star" rating is based on a system established by the Ministry of Land, Infrastructure, Transportation and Tourism (MLIT). End Note.) The measure applies to consumers who purchase trucks and buses that meet 2015 FE standards, except for nitrogen oxide and particulate matter, for which the vehicle must exceed the standard by 10 percent (i.e., a further 10 percent reduction in emissions). Purchasers of these vehicles would receive 200,000 yen (\$2000) for a small (3.5-ton) vehicle; 400,000 yen (\$4000) for a mid-sized (eight-ton) vehicle; and 900,000 yen (\$9000) for a large (12-ton) vehicle.

13. (U) The proposed incentives would apply retroactively for autos purchased after April 10. A draft of the measures estimates they will cost the government 370 billion yen. Some media reports speculate the measure, in conjunction with recently passed automobile tax exemptions and reductions, could boost auto sales by one million units, presumably over the next year.

Response from Japan Auto Importers Association (JAIA)

14. (SBU) The Japan Auto Importers Association (JAIA), which represents foreign auto makers including GM, Ford, and Chrysler, had hoped for broader measures, JAIA representatives told embassies April 10. In mid-March, JAIA

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wrote the Ministry of Economy, Industry and Trade (METI) requesting "economic support measures for new vehicle purchases that can stimulate buying motivation of consumers more widely and directly." Specifically, JAIA proposed a five percent government rebate on purchases of new vehicles for consumers who replace vehicles nine years old or older.

15. (SBU) Although METI was supportive of JAIA's request, the Ministry of Finance (MOF), according to the JAIA representative, wanted more targeted measures and a focus on eco-friendly vehicles. Without the focus on environmental measures, he continued, it would appear as though the government was providing subsidies too broadly, and the public would not support the measure.

16. (SBU) Among JAIA's members, some German automakers would benefit from the GOJ proposal, but American and French automakers would not, the representative asserted. Most imported cars became popular in Japan because of their "foreignness," and many -- especially the U.S. autos -- are luxury vehicles with low fuel efficiency, he continued. For this reason, the new stimulus measures will not assist foreign automakers. However, it would be helpful to U.S. automakers if the GOJ could find ways to support the flexible fuel vehicle (FFV) that accepts up to 85 percent ethanol.

Big Three Automakers Pessimistic

17. (SBU) Members of the American Chamber of Commerce in Japan (ACCJ) American Auto Industries Committee also report no U.S. autos sold in Japan would qualify for the incentives as currently described. One U.S. auto executive here fears that once consumers realize American cars will not qualify for the incentives, the reputation of U.S. automakers -- that they have not developed clean vehicles -- will be reinforced. The GOJ's proposals are therefore "a non-tariff barrier and are protectionist," the Chrysler representative said April 17 in a meeting with us and with other U.S. automakers. (Note: His Ford and GM counterparts were present but did not support his remarks or otherwise comment. End note.) The three automakers, under the auspices of the ACCJ American Auto Industries Committee, are drafting a formal coordinated response for public release.

